

Message Text

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SUBJECT: GREEK GOVERNMENT ANNOUNCES REVISED INVESTMENT INCENTIVES

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1. THE GOG ON FEBRUARY 25 ANNOUNCED THE LONG-AWAITED REVISION OF INVESTMENT INCENTIVES DESIGNED TO CONFORM TO THE EC SYSTEM WITHIN THE CONTEXT OF GREECE'S FUTURE ACCESSION AND HOPEFULLY TO STIMULATE LAGGING INVESTMENT, BOTH FOREIGN AND DOMESTIC. THE PROPOSED PACKAGE INCLUDES SOME OF THE FORMER INCENTIVES SUCH AS TAX CONCESSIONS, EXPORT REBATES AND CREDIT AND FINANCING ADVANTAGES, BUT ALSO INTRODUCES SEVERAL NEW INCENTIVES IN THE FORM OF GRANTS AND FINANCIAL AND OTHER BENEFITS TO ENCOURAGE THE MOVEMENT OF WORKERS AND EMPLOYEES TO LESS-DEVELOPED REGIONS OF GREECE. IT AFFECTS A BROAD RANGE OF ACTIVITIES INCLUDING INDUSTRY, AGRICULTURE, EXPORTS, AND TOURISM, WITH SPECIAL EMPHASIS ON ENCOURAGING SMALL-AND MEDIUM-SIZE MANUFACTURING ENTERPRISES. THE INCENTIVE PACKAGE ALSO REFLECTS GROWING GREEK ATTENTION
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TO ENVIRONMENTAL PROTECTION, ENERGY CONSERVATION, AND INDUSTRIAL RESEARCH

2. WHILE THE ANNOUNCEMENT GIVES SOME INSIGHTS INTO THE SUBSTANCE OF THE INCENTIVE PACKAGE, A MORE-DETAILED VIEW OF THE MEASURES AND PROCEDURES INVOLVED WILL HAVE TO AWAIT PRESENTATION OF THE DRAFT LAW TO PARLIAMENT SCHEDULED FOR LATE APRIL.

MEANWHILE, A SUMMARY OF POINTS IN THE INCENTIVE PACKAGE IS REPORTED BELOW. A FULLER ACCOUNT FOLLOWS BY AIRGRAM.

3. ON THE INDUSTRIAL FRONT, VARIOUS GRANTS ARE OFFERED ALONG WITH HELP IN FINANCING EXPENDITURES FOR ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION. IN AGRICULTURE, MACHINERY WILL BE EXEMPTED FROM IMPORT DUTIES AND VARIOUS TAXES. FOR EXPORTERS, CURRENT REBATES WILL BE CONTINUED AND ADMINISTRATIVE PROCEDURES SIMPLIFIED TO PROMOTE GREEK EXPORTS. TOURISM IS TO BE FOSTERED THROUGH TAX ARRANGEMENTS DESIGNED TO ENCOURAGE HOTEL ENTERPRISES TO INVEST IN TOURISM PROJECTS, AND BY OFFERING DEDUCTIONS FROM GROSS RECEIPTS TO MEET ADVERTISING AND OTHER PROMOTIONAL EXPENDITURES. EASIER CREDIT AND SIZABLE DEDUCTIONS FROM NET PROFITS ARE OFFERED TO SMALL-AND MEDIUM-SIZED MANUFACTURING ENTERPRISES TO ENCOURAGE DEVELOPMENT OUTSIDE THE CONGESTED ATHENS-PIRAEUS AREA.

4. THE GOG IS PROJECTING THE INCENTIVE PACKAGE AS A BOLD STEP DESIGNED NOT ONLY TO ACHIEVE BALANCED REGIONAL DEVELOPMENT BUT ALSO TO ENCOURAGE PRIVATE INITIATIVE AND INCREASED PRODUCTIVITY. THE GOVERNMENT IS ALSO CLAIMING THAT FOR THE FIRST TIME THE ECONOMIC DEVELOPMENT PROBLEM IS BEING DEALT WITH IN ALL ITS ASPECTS. LOCAL BUSINESS COMMUNITY REACTION TO THE NEW INVESTMENT INCENTIVES, WHILE GENERALLY FAVORABLE, IS TINGED WITH RESERVATION AND SKEPTICISM. EXPERIENCE HAS SHOWN, THEY SAY, THAT LEGISLATION AND GOOD INTENTIONS ON THE PART OF THE GOVERNMENT ARE NOT SUFFICIENT. FOR THE INCENTIVE PACKAGE TO WORK, THE GOVERNMENT WILL ALSO HAVE

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TO DO SOMETHING ABOUT THE RED TAPE AND OTHER BUREAUCRATIC BARRIERS WHICH NOW FRUSTRATE POTENTIAL INVESTORS.

5. PREDICTABLY, ONE OF THE LEADING OPPOSITION PARTY FIGURES, ZIGDIS, OF THE DEMOCRATIC CENTER UNION, WAS QUICK TO COMMENT NEGATIVELY ON THE GOVERNMENT'S PROPOSALS, ACCUSING PRIME MINISTER CARAMANLIS OF FACING THE COUNTRY'S MAJOR ECONOMIC PROBLEMS IN AN EMPIRICAL AND AD HOC MANNER. WHILE WE HAVE NOT YET HEARD FROM PASOK, THE LARGEST OPPOSITION PARTY, THERE IS LITTLE DOUBT THAT IT TOO WILL REACT NEGATIVELY. NEVERTHELESS, WE DO NOT ENVISAGE GOVERNMENT DIFFICULTIES IN GETTING PARLIAMENTARY APPROVAL PARTICULARLY SINCE CARAMANLIS' NEW DEMOCRACY PARTY HLLDS A SUFFICIENT MAJORITY TO PASS ITS LEGISLATIVE PROGRAM.

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